

February 23, 2010

To: House and Senate Justice and Public Safety Committee Chairs
Joint Legislative Commission on Governmental Operations

From: Esther S. Hall, Executive Director, NC LEAF

**NC LEAF ANNUAL REPORT ON FUNDS DISBURSED REQUIRED BY 2003
HOUSE BILL 397, PART XIV, SECTION 14.6**

What is the NC Legal Education Assistance Foundation?

Equal access to justice is a cornerstone of our legal system. NC LEAF encourages attorneys to pursue careers in public service through an educational loan repayment assistance program. Rising law school debt and low salaries in public service positions present enormous impediments for law graduates committed to public interest careers. NC LEAF helps insure that skilled lawyers continue to aid the underserved citizens of our state by providing financial assistance towards relief for law school debt.

The specific objectives of our activities are to enable lawyers who have the background and dedication to provide effective public service the opportunity to do so and to enable attorneys who enter public service to remain in their chosen field.

Barriers to Seeking Public Interest Legal Positions:

- Law school tuitions have increased dramatically, over 267% since 1990
- According to the ABA 1 in 3 law school graduates have debts of \$120,000
- LANC starting salaries are \$40,100 with average debt of \$100,000
- Average starting salaries for Assistant District Attorneys and Public Defenders are \$37,182. There are 647 Assistant DA's and 235 PD'S in North Carolina.

Cost of Law School Tuition (excluding living expenses) for 2009-10:

Campbell: \$30,450
Charlotte \$33,242
Duke: \$44,480
Elon: \$30,750
NCCU: \$ 7,174 for NC residents and \$20,060 for non
UNC: \$16,014 for NC residents and \$29,332 for non
WFU: \$ 35,450

Given the cost of tuition and the burden of debt, it is clear that NC LEAF fills a vital role in encouraging the pursuit of careers in public interest law. The loan forgiveness program is also key to helping attorneys stay in the field, as retention is an ongoing problem with attorneys forced to seek higher paying positions. Of the current participants receiving assistance from NC LEAF, 65% have been in public interest jobs for at least three years.

The NC LEAF Loan Repayment Assistance Program Serves Attorneys Who:

- Have graduated from an ABA accredited law school
- Are employed full time in a law-related public service position-an organization providing legal services to the poor, a 501 (c) (3) nonprofit, a public defender's or district attorney's office, or a government agency:
- Have current law school educational debt obligation and are not in default on any loan
- Have an income below these qualifying levels:
\$42,000 in the first year of practice,
\$46,000 in the second year of practice, and
\$51,000 in each subsequent year of practice

Each participant contributes a percentage of his/her income towards debt repayment, and NC LEAF pays the remainder, up to \$9,000 per year per participant when sufficient funds are available. Money provided during the first three years is an interest-free loan that must be paid back if the participant leaves qualifying employment. These loans are then forgiven if the participant remains in public service for specified time periods.

How is NC LEAF Funded?

At the November 2009 meeting of the Board of Directors it was determined that the assistance provided to program participants would have to be reduced by 30% in order to stay within the Department of Justice's reduced allocation of \$375,000. Participants were notified of the change in assistance, which was reflected in their January 2010 checks.

Legal Aid of NC provides up to \$250,000 annually for loan repayment assistance to their eligible staff attorneys. All monies from the state and LANC are passed directly to participating attorneys. NC LEAF receives the bulk of its operating support from an IOLTA (Interest on Lawyers Trust Account) grant (\$70,000). Additional revenue is generated from the state's law schools, administrative fees, law firms and donations.

For the first time in our 20-year history, NC LEAF did not hold an application period for new participants. With the necessary reduction in state funding, we felt our obligation was to current participants.

What are the internal financial controls?

No money received from the state is used for administrative or operating expenses. All state funds are disbursed directly to participating attorneys on a quarterly basis for loan repayment assistance. Throughout the year, NC LEAF regularly verifies employment, salary history and loan payment information for each participant. If a participant is in default or puts a loan into forbearance or deferral, he/she is no longer eligible to receive assistance. If that participant has not yet completed three years of eligible employment in public service, repayment of funds disbursed by the program is mandatory. An independent auditor performs a yearly audit.

Statistics for 2008-2009:

Overview of Funded Participants for FY 2008-2009:

Participant Employment	Number of Participants	Funds Needed Annually for ALL Participants
Legal Aid of NC Inc.(LANC)	61	\$233,367
Asst Public Defenders	22	\$103,571
Asst District Attorneys	64	\$305,084
Non-profit legal organization	6	\$ 21,253
Legal Services, independent	16	\$ 86,772
TOTAL	169	\$750,047

State of NC: \$465,000 (7% reduction in funding in April)

LANC: 233,367

NC LEAF: 51,680 (drawn from reserves)

Total: 750,047